

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE NOTICE OF GAS COST )  
ADJUSTMENT FILING OF VALLEY ) CASE NO. 2001-009-B  
GAS, INC. )

O R D E R

On March 14, 2001, in Case No. 2001-009, the Commission approved rates for Valley Gas, Inc. ("Valley") and provided for their further adjustment on a quarterly basis in accordance with Valley's gas cost adjustment ("GCA") clause.

On October 10, 2001, Valley filed its GCA to be effective November 1, 2001. As this filing results in a rate decrease, the 30-day notice requirement set out in KRS 278.180(1) is not controlling since KRS 278.180(2) permits a rate decrease to be implemented within a lesser period of time.

After reviewing the record in this case and being otherwise sufficiently advised, the Commission finds that:

1. Valley's notice includes revised rates designed to pass on to its customers its expected decrease in wholesale gas costs. Valley's proposed expected gas cost ("EGC") is \$4.1731 per Mcf. Valley incorrectly calculated its EGC by adjusting for line loss greater than 5 percent although its line loss was approximately 3 percent. Correcting for this results in an EGC of \$4.0732 per Mcf, a decrease of \$1.2178 per Mcf from the previous EGC of \$5.2910.

2. Valley's notice sets out no current quarter refund adjustment ("RA").

3. Valley's notice sets out a current quarter actual adjustment ("AA") of (5.43) cents per Mcf. Valley incorrectly used its GCA from the previous quarter in the AA calculation rather than its EGC from the months of April, May and June. Correcting for this error results in a current quarter AA of (17.59) cents per Mcf. Valley's notice sets out a total AA of 4.37 cents per Mcf. In addition to an error in the current AA, the total AA includes a math error. Using the corrected current quarter AA results in a total AA of 33.04 cents per Mcf, a decrease of 68.22 cents per Mcf from the previous total AA.

4. Valley's notice sets out no Balance Adjustment.

5. Valley's GCA is \$3.8973 per Mcf, which is \$1.90 per Mcf less than the previous rate of \$5.7973.

6. The rates in the Appendix to this Order are fair, just, and reasonable, in the public interest, and should be effective for service rendered by Valley on and after November 1, 2001.

IT IS THEREFORE ORDERED that:

1. Valley's proposed rates are denied.

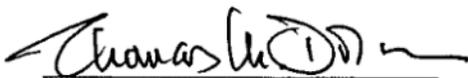
2. The rates in the Appendix, attached hereto and incorporated herein, are approved for service rendered on and after November 1, 2001.

3. Within 20 days of the date of this Order, Valley shall file with this Commission its revised tariffs setting out the rates authorized herein.

Done at Frankfort, Kentucky, this 26<sup>th</sup> day of October, 2001.

By the Commission

ATTEST:

  
Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2001-009-B DATED OCTOBER 26, 2001

The following rates and charges are prescribed for the customers served by Valley Gas, Inc. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of this Commission prior to the effective date of this Order.

RATES:

	<u>Base Rate</u>	<u>Gas Cost Adjustment</u>	<u>Total</u>
Customer Charge			\$6.50
All Mcf	\$2.3819	\$3.8973	\$6.2792